

Joe - This should be ready
to go to rest of Board. Do
you want to review it one
more time then get any
reaction they might have?

Carter
See the changes
incorporate & then
circulate to the
Board. J. Carter

Resp to Costco RFP
8026

DEFENDANT'S EXHIBIT	
CASE NO.	C04-0360P
EXHIBIT NO.	520

TX520-001

WASHINGTON STATE LIQUOR CONTROL BOARD
1995 REQUEST LEGISLATION - Bill Classification: Category B
PRICE POSTINGS - RCW 66.28.180

OVERALL PURPOSE AND INTENT OF LEGISLATION:

has been developed, but is used by former suppliers
RCW 66.28.180 requires price postings by wholesalers and manufacturers of malt liquor, beer and wine. The current process is very heavily oriented to paper and is labor intensive. A computerized system ~~is in development~~. The system began about a year ago and currently has about 15 percent of the possible licensees (approx. 30 out of 200) involved at this point. In order to be fully operational covering all wholesalers, manufacturers and importers of wine and malt liquor, ~~an additional two hours per licensee (@\$22/hr)~~ would need to be budgeted. About \$ 44,000 ^{in salaries} has been expended thus far in development costs, *plus substantial support for new users, including free software.*

The primary objective of price postings, which began many years ago, is to preclude the sale of products at unfair prices, most easily achieved when one sells for below cost. The Board reviews price postings when there is a complaint filed against either a manufacturer or wholesaler. Under the proposed change, postings could still be reviewed by the Board by field agents comparing posted prices with those that are claimed to be in use.

The prices posted with the Board are collected and distributed by at least one private organization to all of the wholesalers/distributors on a monthly basis. Under the proposal, this same opportunity would exist because the posted prices would have to be made available to anyone who asked to see the documents. Compilation of a monthly summation would still be possible.

Retaining records in the respective licensees' places of business will still ensure that such information is available, but yet in a more reasonable and cost efficient manner.

MAJOR PROVISIONS OF PROPOSAL:

1. Eliminates monthly postings to and approval by the Board.
2. Requires individual manufacturers, wholesalers and importers to maintain notarized postings at their respective businesses/
3. Requires such postings be open for inspection.
4. Prohibits changes to postings other than for specific distress purposes.
5. Prohibits any quantity discounts to be offered.

GOVERNMENT AGENCIES IMPACTED BY PROPOSAL:

None other than WSLCB.

STAKEHOLDERS AND THEIR POSITIONS:

PROPOSERS:

WSLCB

Some wholesalers as individual licensees

Some manufacturers as individual licensees

OPPOSERS:

Beer and Wine Wholesalers Association (Phil Wayt - 352-5252)

Some retailers who might be asked to object by their wholesalers

Some manufacturers as individual licensees

SPECIAL NOTE:

X As a result of the budgetary reduction mandated in 1993, the price postings program was deemed as one program which could be eliminated in order to better utilize available staff resources in other areas. In order to eliminate the function, the statute requiring the Board to perform the duties (RCW 66.28.180) had to be amended during the 1994 session. A bill was prepared pursuant to instructions from OFM. When circulated, no legislators in the Senate Labor and Commerce Committee would sign as sponsors. In the House Commerce and Labor Committee, Chairman Heavey sponsored the bill, but it did not receive a hearing. X There was considerable opposition from the wholesalers' association. An organized effort to prevent a hearing in either chamber will result from introduction of the legislation unless some form of agreement can be worked out to the satisfaction of the Beer and Wine Wholesalers. Further discussions with their Executive Director following conclusion of the 94 session indicate the X group is unwilling to allow the Board to eliminate the responsibility of reviewing price postings, if effective safeguards can be implemented.

FISCAL IMPACT:

X By eliminating the need to have price postings filed with the Board on a monthly basis, the Board would be able to avoid at least 3.0 FTE's representing approximately \$ 96,000 for that activity. These FTE's would be reassigned within our Licensing Services Division where they would perform functions directly associated with processing applications for liquor licenses as licensing technicians. Because of the transfer of responsibilities of the license technicians, there would be no savings or additional costs, just the removal of the labor intensive function of price postings in place of individual processing of license applications.

AGENCY PERSONNEL TO BE CONTACTED:

Policy Questions: M. Carter Mitchell, Public Information Officer/Legislative Liaison, 753-6276

Legal Counsel: Kim O'Neal, Assistant Attorney General, 586-7843

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but an important public service could be staffed more effectively.

AN ACT Relating to price postings by wholesalers and manufacturers of malt liquor, beer and wine: and amending RCW 66.28.180.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

Sec. 1. RCW 66.28.180 and 1985 c 226 s 4 are each amended to read as follows:
~~((It is unlawful for))~~ A person, firm, or corporation holding a certificate of approval issued under RCW 66.24.270 or 66.24.206, a beer wholesaler's license, a brewer's license, a beer importer's license, a domestic winery license, a wine importer's license, or a wine wholesaler's license within the state of Washington ~~((to modify any prices without prior notification to and approval of the board.))~~ shall meet the following requirements:

(1) Prices of all liquor products sold by licensees identified in this act must be on file at the business location licensed by the board. Such price listings shall be notarized by the first working day of the month and made available for inspection by anyone who requests them during normal business hours.

(2) Prices are to be set for the entire calendar month.

(3) Prices may be changed during the first three business days of the month, by all parties, to meet competitive issues.

(4) Prices may be changed for distress situations: i.e. beer nearing the end of the shelf life as established by the manufacturer's coding. Prices may only be reduced on product *fewer than 50 cases,*
in distress, not all like items in inventory, and then only for small quantities of aged dated products,

(5) Beer and wine shall not be sold at a price less than its cost of acquisition. *for less than 30 days from re acquisition*
unless the supplier, wholesaler or retailer is discontinuing the product and does not sell the produce for one year following the sale of the product at less than acquisition cost.

(6) No price postings shall be made directly to the board, however, the board's staff may inspect such postings to insure compliance with this act.

(7) Quantity discounts are prohibited.

WASHINGTON STATE LIQUOR CONTROL BOARD
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OVERALL PURPOSE AND INTENT OF LEGISLATION:

RCW 66.28.180 requires price postings by wholesalers and manufacturers of malt liquor, beer and wine. The current process is very heavily oriented to paper and is labor intensive. A computerized system is in the infancy stages of development and even though it has been in progress for nearly a year, it is far from being finalized or totally workable.

The primary objective of price postings, which began many years ago, is to preclude the sale of products at unfair prices, most easily achieved when one sells for below cost. The Board reviews price postings when there is a complaint filed against either a manufacturer or wholesaler. Under the proposed change, postings could still be reviewed by the Board by field agents comparing posted prices with those that are claimed to be in use.

The prices posted with the Board are collected and distributed by at least one private organization to all of the wholesalers/distributors on a monthly basis. Under the proposal, this same opportunity would exist because the posted prices would have to be made available to anyone who asked to see the documents. Compilation of a monthly summation would still be possible.

Retaining records in the respective licensees' places of business will still ensure that such information is available, but yet in a much more reasonable and cost efficient manner. If the automated system is successfully completed, there could be an eventual phase-over to the Board strictly as a repository, but the official forms would still be retained at the individual business locations.

MAJOR PROVISIONS OF PROPOSAL:

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Some wholesalers as individuals

Some manufacturers as individuals

OPPOSERS:

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Some manufacturers as individuals

SPECIAL NOTE:

As a result of the budgetary reduction as mandated in 1993, the price postings program was deemed as one program which could be eliminated in order to better utilize available staff resources in other areas. In order to eliminate the function, the statute RCW 66.28.180 has to be amended during the 1994 session. A bill was prepared pursuant to instructions from OFM. When circulated, no legislators in the Senate Labor and Commerce Committee that would sign the Senate version. In the House Commerce and Labor Committee, Chairman Heavey sponsored the bill, but it did not receive a hearing because of the severe opposition by the distributors. It is to be expected that an organized effort to prevent a hearing in either chamber would result from introduction of the legislation unless some form of agreement can be worked out to the satisfaction of the Beer and Wine Wholesalers who fear major deterioration of the three-tier system if postings requirements to the Board be discontinued.

FISCAL IMPACT:

By eliminating the need to have price postings filed with the Board on a monthly basis, the Board would be able to avoid at least 3.0 FTE's representing approximately \$ 96,000 for that activity. These FTE's would be reassigned within our Licensing Services Division where they would perform functions directly associated with processing applications for liquor licenses as licensing technicians. Because of the transfer of responsibilities of the license technicians, there would be no savings or additional costs, just the removal of the labor intensive-function of price postings in place of individual processing of license applications.

AGENCY PERSONNEL TO BE CONTACTED:

Policy Questions: M. Carter Mitchell
Public Information Officer/
Legislative Liaison
753-6276

Legal Counsel: Kim O'Neal
Assistant Attorney General
586-7843

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